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1) Government urged to revamp strategy, on premise of US delisting North Korea

SANKEI (Page 5) (Full)
November 20, 2007

In the Japan-US summit on Nov. 16, the two leaders discussed the issue of whether the US would delist North Korea as a state sponsor of terrorism. But the government remains tight-lipped about the contents of the discussion.

Prime Minister Yasuo Fukuda just told reporters at his official residence yesterday: "President Bush and I sufficiently discussed the issue. The president is fully aware of the circumstances (in Japan)."

A senior Foreign Ministry official, however, revealed yesterday that the president did not declare in the summit that the US would not take North Korea off its blacklist. The officer added: "He probably means that the US will delist the North if US-Japan relations permit," implying that delisting is unavoidable.

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A senior government official also hinted at the necessity of revamping its strategy toward North Korea, premised on Washington's removal of North Korea from the blacklist, remarking: "If the US delists North Korea, Japan will lose one of its levers in negotiations with Pyongyang (over the abduction issue)."

Behind the government's silence on the delisting issue is the fear that since "delisting is Washington's established policy decision," as said by a Foreign Ministry source, if Japan, citing the issue of Japanese nationals abducted by North Korea, raises opposition to the policy, Japan-US relations might be strained. A senior government official has already said, taking precautions: "Even if the US decides to delist the North, it will not represent a failure of Japanese diplomacy."

Meanwhile, one government source takes this view: "North Korea is feeling like jumping at Japan's economic cooperation by normalizing bilateral diplomatic ties. But as long as the abduction issue remains unresolved, Japan will never normalize relations with North Korea. It is North Korea that will be perplexed by the current situation." The source indicated the view that even if the US delists North Korea, the abduction issue will not be left behind.

President Bush's refusal to rule out delisting during the meeting with Fukuda will inevitably allow Pyongyang to take advantage of Japan's weak situation in the future. Although the Fukuda administration is emphasizing a policy of dialogue, North Korea may press the administration to make more concessions.

2) Calls for re-extension of Diet session becoming stronger; Party-head talks on Nov. 22

NIKKEI (Page 2) (Excerpts)
November 20, 2007

There is a growing call for extending again by about one month the current Diet session, which will run until Dec. 15, in the government and Liberal Democratic Party (LDP). The reason is that deliberations on a bill to resume the refueling activities by the Maritime Self-Defense Force (MSDF) in the Indian Ocean have been

delayed. Prime Minister Yasuo Fukuda will meet separately with the heads of ruling and opposition parties, including New Komeito leader Akihiro Ota and Ichiro Ozawa, president of the Democratic Party of Japan (DPJ or Minshuto), on Nov. 22 when he returns home from Singapore to ask their support for an early passage of the new refueling bill.

When asked by the press before his departure for Singapore yesterday whether he intended to enact the refueling bill even by extending the ongoing session, Fukuda responded: "That depends on the Diet schedule." In a CNN interview aired on the 18th, he hinted the possibility of re-extension of the session, saying: "Whether the bill is enacted or not will be decided in one or two months."

The dominant view is in the ruling coalition, mainly in the LDP Upper House executive, that the government should again extend the current Diet session. The House of Councillors will hold deliberations on the refueling bill on Nov. 26 or after. The Upper House Committee on Foreign Affairs and Defense opens two sessions every week. In the backdrop of the growing calls for a re-extension, the government has no choice but to extend again the session because

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the Diet schedule is tight until the Dec. 15 end.

If the current session is extended again, it will have an impact on the compilation of state budget for next fiscal year. If so, the Finance Ministry will discuss the matter with other ministries and agencies, but it will be difficult for cabinet ministers to secure time for negotiations since the Diet is now in session. As a result, the state budget for FY2008 will inevitably be compiled early next year as a cabinet decision will be made after negotiations by cabinet ministers. The New Komeito, the LDP's coalition partner, is cautious about a re-extension idea because the party doesn't favor an earlier dissolution of the House of Representatives to call for a snap election.

In case the session is extended again, chances are that the ruling camp will readopt the new refueling bill in the Lower House, which the ruling bloc dominates. The possibility cannot be denied that if the ruling parties take a second vote on the bill in the Lower House, the opposition camp will submit to the Diet a censure motion against the prime minister. As a result, the focus will be on whether Fukuda decides to dissolve the Lower House to call a general election.

DPJ Secretary General Yukio Hatoyama said in a speech deliberated yesterday at the Japan National Press Club:

"If (the bill) is not enacted by Dec. 15, it is unthinkable that it will be killed there. I'm sure that (the government) will again extend the session."

He then said how his party would respond to that:

"I wonder whether 60 days are needed. I think the bill should be put to a vote after thorough deliberations are carried out. The practice of spending time without holding deliberations should be ended because such will render useless the Upper House debates."

3) LDP, DPJ leaders to hold talks on Nov. 22; Fukuda to ask Ozawa for cooperation to enact new antiterrorism bill; If talks end in failure, current Diet session may be extended again

YOMIURI (Top Play) (Excerpts)
November 20, 2007

The ruling Liberal Democratic Party (LDP) and main opposition Democratic Party of Japan (DPJ or Minshuto) agreed yesterday to hold a meeting on Friday between Prime Minister Yasuo Fukuda, president of the LDP, and DPJ President Ichiro Ozawa. The LDP asked the opposition parties to hold party-head meetings in which Fukuda will explain his visit to the United States and discuss how the Diet should be managed in the future. The DPJ accepted the offer. The Japanese Communist Party also conveyed its acceptance to the LDP. Other opposition parties intend to accept the request. Fukuda will

reveal his intention to aim at enacting the new antiterrorism special measures bill by Dec. 15 when the current Diet session is over. He will seek the opposition leaders' cooperation for the bill's enactment. If the talks end in failure, the government and ruling coalition will coordinate to extend again the current Diet session.

In a press conference at the Japan National Press Club, DPJ Secretary General Yukio Hatoyama commented on a re-extension of the

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Diet session:

"Rather than taking advantage of the 60-day clause (in the Constitution), the bill should be put to a vote after a sufficient debate is carried out in the House of Councillors. We should conduct serious deliberations."

The Constitution stipulates that if the Upper House does not take a vote on a bill within 60 days, the bill will be considered as voted down and the House of Representatives can readopt it with a two-thirds majority vote. In the case of the new antiterrorism bill, which was sent to the Upper House on Nov. 13, the Lower House can take a second vote on January 12 or after. So Hatoyama's comment indicated the stance of forgoing taking a vote on the new antiterrorism legislation before the end of the year.

4) Ruling coalition reconsiders election arrangements

YOMIURI (Page 4) (Excerpts)
November 20, 2007

Because the candidate backed by the ruling Liberal Democratic Party (LDP) and New Komeito was defeated in Sunday's Osaka mayoral election, some in the parties yesterday called for a review of election arrangements.

Prime Minister Yasuo Fukuda told the press corps yesterday: "The LDP along with New Komeito did made efforts, but the defeat was regrettable. Of course, there were regional circumstances."

Chief Cabinet Secretary Nobutaka Machimura stated: "There will be no adverse effect on national elections." Many members in the government and ruling camp, however, have taken the view that they should learn lessons from the defeat, citing that their candidate was older and that municipal assembly members belonging to the LDP were not active in supporting the candidate.

One New Komeito member express displeasure, saying: "According to exit polls, we were only able to get half of LDP supporters."

Most LDP-backed or sponsored candidates have been defeated in the mayoral elections of such major cities as Kita-Kyushu, Sapporo, and Hiroshima held since 2006. Some members in the ruling camp are concerned about the Osaka gubernatorial election in January and the Kyoto mayoral election in February. Since there is a possibility that the results of these elections will have an impact on the next House of Representatives election, LDP Election Committee Chairman Makoto Koga told reporters yesterday: "It is only natural for us to rebuild election arrangements so that there will be no impact on the Lower House election."

5) Yamada Yoko pools 1.1 billion yen: Tokyo prosecutors ask for investigative cooperation from US

MAINICHI (Top Play) (Excerpts)
November 20, 2007

Mainichi Shimbun has learned that Motonobu Miyazaki (69), former executive director of Yamada Yoko, a defense equipment trader, and several others have pooled approximately 10 million dollars (approximately 1.1 billion yen) in the company's US bank accounts. It was also found that apart from about 100 million yen, which

Miyazaki is suspected of having embezzled, they had transmitted slush funds worth about 400,000 dollars (approximately 44 million yen) to Japan. The Tokyo District Public Prosecutors Office Special Investigation Department appears to have asked for investigative cooperation from US judicial authorities. The special investigation department is now investigating Miyazaki on suspicion of bribery, suspecting that part of the slush funds might have been used for wining and dining former Administrative Vice Defense Minister Takemasa Moriya (63).

According to an informed source, Yamada International Cooperation, a US subsidiary of Yamada Yoko, has pooled slush funds, pretending to pay bonuses to executives. Former President Akiyama (70) was in control of the money. In addition to these slush funds, the company has also pooled approximately 1.1 billion yen in profits gained on the sale of stocks and dividends and used that money to entertain lawmakers and Defense Ministry officials who visited the US.

Miyazawa was arrested on suspicion of embezzling corporate funds worth about 117 million yen. Now he is suspected of having illegally funneled about 44 million yen in slush funds. The special investigation department appears to have asked US judicial authorities to investigate into five bank accounts held by the company.

6) Prosecutors quiz GE employee over excessive treatment

TOKYO (Page 1) (Full)
November 20, 2007

Takemasa Moriya, 63, former administrative vice minister at the Defense Ministry, was overly treated by Motonomu Miyazaki, 69, a former managing director of Yamada Corporation, a trading company dealing in defense equipment for the Self-Defense Forces. On this issue, a task force of the Tokyo District Public Prosecutors Office seems to have quizzed a Japan branch executive of General Electric Co., a US manufacturer of the engine for the Air Self-Defense Force's follow-on cargo aircraft (CX). This executive was once in the SDF and negotiated directly with the Defense Ministry and Miyazaki. The task force is believed to have questioned him about what was behind the transfer of an agent contract.

According to informed sources, the executive is from the SDF. In his SDF career, this executive was once assigned to the then Defense Agency's Technical Research and Development Institute. He retired several years ago and entered GE's Japan branch. He is currently with the branch's aircraft engine project division and serves as a point of contact with the Defense Ministry. He was in charge of the CX engine for the ASDF.

In 2003, when Miyazaki was a managing director of Yamada Corp., the then Defense Agency decided to procure the CX engine from GE. At that time, Yamada Corp. was a GE agent. In September last year, Miyazaki established Nihon Mirise Corporation (NMC), a trading firm dealing in defense equipment. NMC then grabbed Yamada Corp.'s agent contract with GE. In December last year, when GE was about to enter into an agent contract with NMC, a munitions chief from GE headquarters in the United States and Miyazaki met with Moriya in the vice minister's room for about 50 minutes.

The task force seems to be looking into what was behind the CX engine selection and the contract switch, suspecting that Moriya

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might have favored Miyazaki.

GE cancelled its contracts with Yamada Corp. and NMC in late October after the scandal was brought to light.

7) Finance Minister Nukaga once again denies his presence at wining and dining session: Yamada Yoko purchases fund-raising party tickets worth 2.2 million yen

Finance Minister Fukushima Nukaga during a meeting of the Upper House Budget Committee held yesterday afternoon revealed that he had Yamada Yoko, a company specializing in military procurement, purchase fund-raising party tickets totaling 2.2 million yen over six years from 2002 through 2007. Concerning proceeds from the sale, Nukaga said, "I have returned the full amount to Yamada Yoko, as the matter has become a social issue." He made this statement in response to a question asked by Shinkun Haku, a lawmaker belonging to the Democratic Party of Japan (DPJ or Minshuto). Former Administrative Vice Defense Minister Takemasa Moriya has testified that Nukaga along with former Yamada Yoko executive director Motonobu Miyazaki attended a wining and dining session. Regarding this testimony, Nukaga said, "I have checked the testimony by day and night and found no such record." He thus once again denied his presence at the wining and dining session.

Nukaga said that he held four parties a year in the name of breakfast study meetings at the time. Yamada Yoko purchased 10 party tickets worth 200,000 yen at each session. According to records kept by Nukaga's office, 10 study meetings were held from 2004 through March 2007. Nukaga said that when he inquired with Yamada Yoko about the purchases of party tickets in the period before 2004, he received a reply that the company purchased party tickets totaling 2.2 million yen in a period from 2002 through 2007.

Concerning whether he was present at a wining and dining session hosted by Yamada Yoko, Moriya during the summoning to the Upper House Foreign and Defense Affairs Committee on Nov 15 testified that when former Defense Department Japan Desk chief James Auer, now a professor at Vanderbilt University, visited Japan, Nukaga along with Miyazaki attended a wining and dining session. Nukaga insisted that he telephoned Auer through his attorney on Nov. 16, following Moriya's testimony, and received a reply from Auer that he knows Nukaga but never dined together. He underscored that he did not attend a wining and dining session along with Moriya and Miyazaki, saying that he checked the schedule kept by his office, the schedule of his official car at a time when he was chief cabinet secretary, and his association with Auer.

8) Nukaga associates did favor for bidding: ex-defense bureaucrat

ASAHI (Top play) (Abridged)
November 20, 2007

Nobumasa Ota, 58, a former director general of the Sendai Regional Defense Facilities Administration Bureau, an outpost of the Defense Facilities Administration Agency now integrated into the Defense Ministry, told an Asahi Shimbun reporter in an interview that he was asked in March 2000 by associates of then Deputy Chief Cabinet Secretary Fukushima Nukaga to designate a construction company in

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Yamagata Prefecture for construction works ordered by the DFAA Sendai bureau. Nukaga's side totally denied that they did so. Ota asserted that he received a report from a senior official of the Sendai bureau at that time, quoting this official as saying the request was transmitted to the DFAA through former Administrative Vice Defense Minister Takemasa Moriya, the then chief of the Defense Agency director general's secretariat. Ota is willing to make public his diary, which he says recorded the circumstances.

The Asahi Shimbun asked Nukaga if he did anything like doing a favor for the construction company or recommending it. In response to this question, Nukaga, through his lawyer, answered "no."

Ota, according to his account, received a report from a senior official of the DFAA Sendai bureau on the evening of March 2, 2000, when Ota was DFAA Sendai bureau director general. Ota says the request from Nukaga's associates over the Yamagata-based constructor was transmitted to the DFAA in Tokyo through Moriya. In addition, Ota quoted this senior official as explaining that there was a

similar request from Nukaga's associates in 1999. According to Ota, the senior official also explained that the DFAA Sendai bureau once designated the construction company in fiscal 1999 but the company did not become a successful bidder, and that the DFAA Sendai bureau thereafter could not designate that company because its rating did not match the rank of a construction project.

Ota keeps his diaries on a personal computer. He typed in what happened on March 2, 2000, writing: "XX (the position title of a person with the DFAA Sendai bureau) came to me. He told me that there was a claim from Deputy Chief Cabinet Secretary Nukaga to the chief of the (Defense Agency director general's) secretariat. The claim was that the DFAA Sendai bureau's moves are bad although he (Nukaga) recommended XX (the name of a company) in Yamagata."

Nukaga denies favor

Nukaga's lawyer answered yesterday in written form about a "favor," which Ota says Nukaga's associates did. The lawyer responded to an Asahi Shimbun interview.

This lawyer totally denied that Nukaga or someone connected with him did a favor for a specific construction company, saying: "I also asked the construction company about this. But they said, 'That's not true.' They also said they didn't meet Mr. Ota in 1999 and 2000."

Nukaga, according to his written answer, did not make any complaint to Moriya. Nukaga is also said to have worked on the DFAA Sendai bureau chief. On this point, Nukaga answered, "I heard from my secretaries that none of them told the company to meet the bureau

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chief."

9) 3 Okinawa municipalities added to incentive list for USFJ
realignment

MAINICHI (Page 3) (Full)
November 20, 2007

The government, in its official gazette dated Nov. 19, designated three additional municipalities in Okinawa Prefecture for its subsidization of base-hosting localities along with the realignment of US forces in Japan. The three additionally designated

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municipalities are Kin Town, Onna Village, and Ginoza Village. The three municipalities had announced on Nov. 13 that they would accept the US Marine Corps' shared use of Camp Hansen in the island prefecture with the Ground Self-Defense Force. The government listed a total of 33 municipalities in the nation for its first designation announced late last month. However, six municipalities, including Kin Town, were off the list because they had not accepted government plans.

Futenma airfield relocation and other realignment plans are now facing rough going, so the government considered the fact that the three Okinawa municipalities have changed their mind to cooperate on its realignment plans. The Defense Ministry was in a hurry to designate the three municipalities.

10) Talks with ASEAN on scrapping of tariffs reach agreement: EPA to be put into effect as early as next year

TOKYO SHIMBUN (Top Play) (Excerpts)
November 20, 2007

Japan and the Association of Southeast Asian Nations (ASEAN) at an economic ministerial meeting held yesterday in Singapore confirmed a comprehensive economic partnership agreement (EPA) aimed at trade liberalization. The result will be reported at a summit to be held in Singapore on Nov. 21. This is the first time for Japan to sign a multilateral EPA. All concerned countries will sign an agreement after completing domestic procedures and aim at putting it into effect in time for actually scrapping tariffs before the end of next

year.

Japan's trade totals 142.6 trillion yen, of which trade with ASEAN accounts for 12.7 PERCENT, following the US and China. Most trade tariffs within the ASEAN region will be scrapped. It is expected that the EPA with ASEAN will significantly promote the advance of Japanese companies into the region and the division of labor within it.

According to the agreement, Japan will exempt key trade items, such as rice, from the abolition of tariffs. Regarding other items, (1) customs duties on 90 PERCENT of imports from ASEAN will be abolished as soon as the agreement is put into effect; and (2) those on 3 PERCENT of imports from ASEAN will be scrapped within 10 years.

11) Japan still lags behind over EPA strategy due to negative attitude about agricultural reform

NIKKEI (Page 5) (Full)
November 20, 2007

(Commentary)

Japan and the Association of Southeast Asian Nation (ASEAN) finalized negotiations on concluding an economic partnership agreement (EPA) yesterday. China and South Korea have already brought EPAs with ASEAN into force, going ahead of Japan. In part because of growing calls in the ruling camp for more steps to protect domestic farmers following its crushing defeat in the July House of Councillors election, uncertainty is looming over Japan's EPA strategy.

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There are more than 500 million people in ASEAN members. Now that Japan is faced with sagging domestic demand and a decreasing workforce, concluding an EPA with ASEAN will contribute to revitalizing its economy in terms of both supply and demand.

However, Japan has lagged behind South Korea and other countries in view of trade strategy. China brought a free trade agreement (FTA) with ASEAN into force this July, gradually abolishing or lowering tariffs. South Korea also agreed this April to sign an FTA with the United States. It has also started FTA negotiations with the European Union (EU).

The ruling coalition, reflecting on its disastrous defeat in the Upper House election, has begun to take an inward-looking attitude, delaying agricultural reform. A reform plan compiled this fall by the Ministry of Agriculture, Forestry and Fisheries stopped short of referring to such reform plans as farmland taxation. An electric machinery executive said: "Unless the path of agricultural reform is accelerated, Japan will be left further behind South Korea."

12) METI minister: Difficult to conclude WTO trade talks this year

NIKKEI (Page 5) (Full)
November 20, 2007

Kazunori Yanase, Singapore

In a press conference in Singapore on the afternoon of Nov. 19, Economy, Trade and Industry Minister Akira Amari indicated that it would be difficult to reach a framework agreement at the new round (Doha Round) of global trade talks under the World Trade Organization (WTO) by the end of this year. Amari said: "Persons involved in the negotiations think it would be difficult to reach a conclusion this year. It will be physically difficult."

Japan and the Association of Southeast Asian Nations (ASEAN) agreed in their economic ministerial meeting on the afternoon of Nov. 19 to temporarily set up during this fiscal year the headquarters of the East Asia-ASEAN economic research center in Jakarta, Indonesia, where the ASEAN secretariat is located. The research center, the establishment of which Japan proposed, is the Asian-version

Organization for Economic Cooperation and Development (OECD).

SCHIEFFER